

DIRECT TESTIMONY AND EXHIBIT OF

GRETCHEN C. POOL

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2022-1-E

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

2 A. My name is Gretchen Pool. My business address is 1401 Main Street, Suite 900,
3 Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior
4 Regulatory Analyst of Energy Efficiency and Renewables in the Utility Rates and Services
5 Division of the Office of Regulatory Staff ("ORS").

6 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

7 A. I received my Bachelor of Arts in Corporate Communication from the College of
8 Charleston in 2001. For more than 15 years, I held a variety of positions at SCANA
9 Corporation and its subsidiary, South Carolina Electric & Gas Company (now known as
10 Dominion Energy South Carolina, Inc.) where I worked in the areas of customer service,
11 legal bankruptcy, energy efficiency, demand side management program implementation and
12 analyses, and corporate and public education. I joined ORS in my current role in April 2020.

**13 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE
14 COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

15 A. Yes. I testified before the Commission in Docket Nos. 2021-89-E and 2021-90-E
16 pertaining to Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's most recent
17 avoided cost proceedings. Most recently, I testified in Dominion Energy South Carolina,
18 Inc.'s Annual Fuel Review, Docket No. 2022-2-E.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S. C. Code Ann. § 58-4-10 as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING, AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?

A. The purpose of my direct testimony is to set forth ORS's recommendations resulting from the examination of Duke Energy Progress, LLC's ("DEP" or "Company") Distributed Energy Resource Program ("DERP") expenses for the period of March 2021 through February 2022 ("Actual Period"), March 2022 through June 2022 ("Estimated Period"), and July 2022 through June 2023 ("Forecasted Period"). By reviewing the Company's DERP portfolio and associated costs to ensure the Company's compliance with applicable statutes and Commission Orders, my direct testimony promotes the public interest.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN THIS PROCEEDING?

A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2), an electrical utility with an approved DERP may recover associated costs that are reasonably and prudently incurred, and pursuant to S.C. Code Ann. § 58-39-140(F), cost recovery shall remain in force until all approved DERP components have been recovered. The Company's DERP was approved in

Commission Order No. 2015-514, and the Company included in this filing actual, estimated, and forecasted avoided and incremental costs for the period of March 1, 2021, through June 30, 2023.

Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE RECOVERED IN THIS PROCEEDING.

A. According to S.C. Code Ann. § 58-39-140, payments for electricity provided under the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public Utility Regulatory Policy Act of 1978 (PURPA), whichever is lower, are eligible to be recovered through the DERP avoided cost component.

The Company incurred DERP avoided costs during the Actual Period for utility-scale purchased power, excess Net Energy Metering (“NEM”) payments to customer-generators, and the Shared Solar Program. These costs were allocated using the same method the Company uses to allocate and recover variable environmental costs. Actual and estimated DERP avoided cost totals are shown in ORS witness Briseno’s Exhibit ADB-9 and the calculated rates are shown in ORS witness Bickley’s Exhibit BSB-5.

Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP INCREMENTAL COSTS?

A. The Company included General and Administrative costs incurred to implement the Company’s DERP, costs related to the Shared Solar Program, costs in excess of avoided costs, NEM incentives and avoided capacity, amortization of solar rebates and related carrying costs, NEM meter costs, and interest on the under-collection of DERP incremental costs due to the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. Actual and

estimated cost totals are shown in ORS witness Briseno's Exhibit ADB-8. Exhibit GCP-1 reflects the under-recovered and total estimated and forecasted incremental costs.

Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLY INCURRED?

A. Yes. ORS reviewed actual DERP avoided and incremental costs and found them to be reasonably and prudently incurred in implementing the Company's DERP. ORS also reviewed the Company's estimated and forecasted DERP avoided and incremental costs and found them to be reasonable.

Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.

A. The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS finds that the Company's methodology to calculate, allocate, and collect the DERP Charge complies with Act 236 and with prior Commission orders.

Q. WILL THE PROPOSED ANNUAL DERP CHARGE RECOVER ALL THE INCREMENTAL COSTS?

A. No. The proposed Residential and Industrial DERP Charges will not recover all of the incremental costs allocated to these customer classes. A full recovery of DERP incremental costs would require an annual DERP Charge of \$12.38 for Residential customers and \$3,189.18 for Industrial customers. However, the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 limit the amount Residential and Industrial

customers can be charged each year to \$12.00 and \$1,200.00, respectively. DEP's proposed annual DERP Charge of \$38.90 will recover all incremental costs from Commercial customers as the DERP Charge is under the \$120 annual recovery cap for that class.

Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO ITS DERP AVOIDED OR DER INCREMENTAL COSTS?

A. Yes. An Actual Period true-up of DERP NEM indirect costs produced the need for an over-recovery adjustment to DER incremental costs of (\$39,889) in February 2022 as seen in DEP witness Harrington's Exhibit 9, Page 1. Also, a correction of DERP avoided cost allocations made to South Carolina retail customers for the missing DEP North Carolina Large General Service – Real-Time Pricing kilowatt hour ("kWh") sales discussed in Company witness Harrington's direct testimony produced a (\$29) over-recovery adjustment in June 2021 as seen in Harrington Exhibit 13.

Q. HOW WILL UNDER-COLLECTED INCREMENTAL COSTS BE TREATED?

A. Under-collected incremental costs will earn carrying costs until next year when they will be reallocated using each class's contribution to peak demand.

Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP CHARGES PROPOSED BY THE COMPANY?

A. No. The Company's calculations comply with Act 236 and with the Commission's Orders in previous DERP-related proceedings and support the following annual proposed DERP Charges: Residential \$12.00, Commercial \$38.90, and Industrial \$1,200.00. Exhibit GCP-1 details the DERP Charge by class.

Q. DID ORS REVIEW THE COMPANY'S UPDATE TO THE COMPONENTS OF VALUE FOR NEM DISTRIBUTED ENERGY RESOURCES?

1 A. Yes. ORS reviewed the Company's updates and found them to be in compliance
2 with Order Nos. 2015-194 and 2021-569.

3 However, Order No. 2021-569 also required the Company develop a plan in order
4 to determine the marginal line losses associated with customer-generator facilities.
5 Currently, the Company continues to use average line losses for some or all elements of the
6 line losses in the value stack for DER generation and did provide the Commission a plan
7 outlining how to accomplish determination of marginal line losses. The Company filed this
8 plan pursuant to Order No. 2021-569 on November 17, 2021. The Company's plan and its
9 components associated with customer-generator facilities (including transmission and
10 distribution capacity and line losses) are further discussed in Company witness Martin's
11 direct testimony on pages 9 and 10.

12 **Q. DID THE COMPANY INCORPORATE THE MOST RECENT AVOIDED COST**
13 **METHODOLOGY IN ITS CALCULATION OF THE VALUE OF NEM**
14 **DISTRIBUTED ENERGY RESOURCES?**

15 A. No. At the time the Company filed their direct testimony in this proceeding, the
16 Commission had not issued a final Order in Docket No. 2021-90-E. As discussed by
17 Company Witness Martin, the Company updated the Value of NEM DER based on the
18 avoided cost methodology and rates set in Order Nos. 2019-881(A) and 2020-315(A).
19 Subsequent to this filing, the Commission issued Order No. 2022-330 in Docket No. 2021-
20 90-E and the Company currently is implementing the necessary changes to the Value of
21 NEM DER. The Company will true-up any corresponding expenses stemming from the
22 Order in its next annual fuel case.

1 **Q. DID THE COMPANY UPDATE THE VALUE OF NEM DISTRIBUTED ENERGY**
2 **RESOURCES?**

3 A. Yes. The total value of NEM DER has increased from the last review period. As
4 shown on page 9 of Company witness Martin's direct testimony, DEP proposes a total value
5 of NEM distributed energy resources of \$0.025806/kWh for residential solar generation,
6 \$0.025965/kWh for small general service generation, and \$0.026750/kWh for large solar
7 generation. The Company calculated a separate value for residential solar generation based
8 on the availability of actual customer data. The Company continues to utilize third-party
9 solar load profile data for non-residential customers.

10 **Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT**
11 **WITH ORDER NO. 2015-194 IN DOCKET NO. 2014-246-E?**

12 A. Yes. The Company used the methodology approved in Commission Order No. 2015-
13 194. The Company determined the difference between the expected revenues from NEM
14 customers, with and without DERP. Once the revenue gap was identified, the value of the
15 customers' distributed generation was calculated using the amount from the NEM tariff
16 approved in Commission Order No. 2021-446 in Docket No. 2021-1-E. The outstanding
17 revenue was divided by the number of kWhs the customers of each applicable rate schedule
18 generated to calculate the NEM incentive.

1 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED**
2 **UPDATES TO SC RIDER RNM-11?**

3 A. No. ORS recommends the Commission accept the Company's proposed updates to
4 SC Rider RNM-11 (Martin Exhibit 1).

5 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**
6 **THAT BECOMES AVAILABLE?**

7 A. Yes. ORS fully reserves the right to revise its recommendations via supplemental
8 testimony should new information not previously provided by the Company, or other
9 sources, becomes available.

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes.

EXHIBIT GCP-1

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Progress, LLC
Docket No. 2022-1-E

(Over)/Under-Recovery of DERP Incremental Costs March 2021 through June 2022			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$200,943	\$145,026	\$93,504
(Over)/Under-Recovery of DERP Incremental Costs July 2022 through June 2023			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$1,577,298	\$1,146,297	\$735,683
Total DERP Charge March 2022 through June 2023			
	Residential¹	Commercial	Industrial¹
Cumulative Under-Recovery through June 2023	\$1,778,241	\$1,291,323	\$829,187
Number of accounts	143,685	33,195	260
Annual Cost (\$) ²	\$12.00	\$38.90	\$1,200.00
Monthly DERP Charge (\$) ²	\$1.00	\$3.24	\$100.00

¹ Monthly Charge and Annual Charge are capped in compliance with Act 236. The under-collection will be reallocated in the 2023 fuel proceeding.

² ORS' review does not include Gross Receipts Tax.